

13 February 2017

The Honourable Grace MP
Minister for Employment and Industrial Relations, Minister for Racing and
Minister for Multicultural Affairs
Email : employmentir@ministerial.qld.gov.au

Dear Minister 

Thank you for the opportunity to comment on the *Regulation of the Labour Hire Industry 2016 Issues Paper*.

As you are aware, the Queensland Resources Council (QRC) is the peak representative organisation of the Queensland minerals and energy sector. QRC's membership encompasses minerals and energy exploration, production, and processing companies and associated service companies. QRC works on behalf of members to ensure Queensland's resources are developed profitably and competitively, in a socially and environmentally sustainable way.

In responding to the Issues Paper I wish to draw your attention to QRC's submission of 6 April 2016 to the Finance and Administration Committee's Review of Practices of the Labour Hire Industry as the issues and concerns outlined in that document remain pertinent.

At the time that the QRC submission was written, the resources sector was experiencing dire circumstances. Close to nearly 23 000 jobs representing some 28% of Queensland's resources sector workforce had been lost over the period November 2013 to February 2016. WoodMackenzie research was showing that half of Queensland's thermal coal mines and one in four metallurgical coal mines were not covering their cash costs. Copper and zinc mines were covering costs, but only just while LNG producers were dealing with an unprecedented collapse in the oil price. Many industry leaders in the resources sector were saying, this was the longest and deepest downturn in the industry that they had seen in over 30 years. While the exchange rate depreciation provided some relief, every effort was directed at driving productivity improvements and cost reductions in order to improve competitiveness and ride out this severe downturn.

It is well known that the resources sector is a cyclical industry. Following the most severe downturn in over 30 years there are now some positive signs with the price of a range of commodities increasing over the last 6 months. Some companies are starting to recruit new workers while some mines are being reopened. Although the long term prices remain uncertain, one thing that is certain is that the focus on driving cost efficiencies and productivity improvements in our industry must continue as there remain many overseas competitors for commodity markets throughout the world. It remains to be seen whether improvements in the price of, and demand for some of our commodities are sustained and spreads to other commodities.

As shown in QRC's April 2016 submission even in depressed times the industry provided significant economic benefit to Queensland through jobs, purchases of goods and services and payment of taxes and royalties. The most recent QRC Economic Contribution of the Minerals and Energy Sector to the Queensland Economy 2015-16 survey of members demonstrates that :

- 33,839 Queenslanders are directly employed by the sector being paid \$4.9 billion in wages;
- the average salary for a resources sector employee is \$144,908;
- more than 20,000 Queensland business supplied the sector with goods and services worth \$19.8 billion last financial year; and
- 914 Queensland community organisations benefited from support by the sector.

The industry direct spending and the flow on benefits from that spending underpin one in seven Queensland jobs and one in five dollars of spending in Queensland. Over the past seven years during which the annual QRC survey of member companies has been conducted, the Queensland minerals and energy sector has generated approximately \$476.4 billion in value added, including \$217.6 billion in direct spending, and has supported an average of approximately 374,300 jobs per annum across all sectors.

It is clearly in the interest of all Queenslanders to have a dynamic and globally competitive resources sector.

A key factor in ensuring the industry is sustainable is the availability of a sufficient number of appropriately skilled workers. The industry requires flexibility in sourcing workers including by engaging local workers, long distance commuters, contractors and labour hire workers. In the past, especially at times of peak activity all of these measures have been required to attract skilled workers in appropriate numbers while in periods of uncertainty, flexibility is also important.

As shown in Economic Impact of the Minerals and Energy Sector on the Queensland Economy 2015/16 report, the average wage of a resources sector worker is around \$145K which is higher than average wages in all other industries. These predominantly full time positions are keenly sought after by highly skilled workers – resources workers are not vulnerable or exploited workers. KPMG's 2013 *'Analysis of the Changing Residents Demographic Profile in Australian Mining Communities'* undertaken for the Minerals Council of Australia showed the benefits for resource communities from resource sector activity as reflected in higher incomes, lower unemployment rates, higher rate of home ownership and higher Year 12 completion rate compared with regional Australia as a whole. The benefits of working in resources are clear.

Labour hire is used by resources companies for a variety of reasons including :

- as a means of sourcing skills in short supply;
- for limited duration work; and
- where demand for labour has increased but the sustainability of that demand is uncertain.

The experience of a number of resource companies has been that the use of labour hire arrangements has contributed to productivity improvements which would have been hard won under existing enterprise agreements. These productivity improvements have helped to sustain a range of marginal operations and improve the productivity of others.

Unlike the labour hire workers that are described in the Issues paper, resource sector workers engaged through labour hire arrangements, like their non-labour hire counterparts, are generally highly paid and skilled. Labour hire workers in the resources sector are not vulnerable workers nor exploited workers. Their employment circumstances are in stark contrast to the circumstances of the much publicised exploited labour hire workers in agriculture, cleaning and horticulture described in the Issues Paper.

Labour hire workers in the resources sector are also subject to the same rigorous safety laws as non-labour hire workers. These safety laws are oversighted by government regulators underpinned by strict monitoring and reporting regimes. Companies cannot simply hand over their safety responsibilities to labour hire companies – this is not the way that mine safety law works. QRC does not condone any labour hire arrangement which exploits vulnerable workers in this or any other industry. The Issues Paper demonstrates the resources sector is not a big user of labour hire workers, by comparison with other industries. The instances of exploitation and abuse of labour hire workers which have led to this Queensland review and to reviews in South Australia and Victoria have not demonstrated misuse of labour hire arrangements in the resources sector. Instead any issues or concerns with labour hire in this industry are generally driven by industrial agendas rather than wages or safety.

In the difficult global market environment that the resources sector is just emerging from, QRC urges government to not add additional costs to the sector through an unnecessary, highly regulated and costly licensing system for labour hire companies. Should there be any evidence of labour hire resource sector workers being exploited through low wages, unacceptable safety standards or failure to pay workers' compensation premiums, governments should use the existing enforcement mechanisms that are already in place. The resources sector is already one of the most regulated industries in Australia. More unnecessary red tape will simply serve to increase the cost of doing

business and as a result, reduce the global competitiveness of this sector and risk jobs and threaten continuation of the recovery.

The importance of an appropriate and certain regulatory regime for the industry was emphasised in a recent survey of QRC member CEOs. The QRC's CEO Sentiment Index is a quarterly survey of QRC's producer and explorer members. When asked how favourable it was to do business in Queensland - just 13 percent backed Queensland over the other states - while one in five CEOs said their companies suffer a *cost disadvantage* in Queensland. Regulatory certainty and the importance of minimising unnecessary red tape is essential to attract and retain capital in resource projects. QRC believes that the case has not been made for a wholesale introduction of a labour hire licensing system across all industries in Queensland. Instead QRC strongly argues that if a new licensing system is developed that it be strictly targeted at those industries/occupations where there is clear and documented evidence of exploitation of labour hire workers and where usual government mechanisms to correct that abuse have failed.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Ian Macfarlane', written in a cursive style.

Ian Macfarlane
Chief Executive